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#### TELECOMMUNICATIONS PLANT IN SERVICE (TPIS)

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1 Balance sheet summary account only

#### **§ 32.2001 Telecommunications plant in service.**

This account shall include the original cost of the investment included in Accounts 2110 through 2690.

#### **§ 32.2002 Property held for future telecommunication use.**

(a) This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in telecommunications service. If at the end of two years the property is not in service, the original cost of the property shall be transferred to Account 2006, Nonoperating Plant.

(b) Should a carrier desire to retain the property in this account for a period longer than two years, the Commission staff must be notified. The notification should include the property item in question, and indicate, as precisely as possible, the additional time required for the property to be held in this account.

#### **§ 32.2003 Telecommunications plant under construction.**

(a) This account shall include the original cost of construction projects.

(b) When any telecommunications plant, the cost of which has been included in this account, is completed ready for service, the cost thereto shall be credited to this account, and charged to the appropriate telecommunications plant or other accounts

(c) if a construction project has been suspended, the cost of the project included in this account shall be transferred to account 2006, nonoperating plant, without further direction or approval of this commission. If a project is abandoned, the cost included in this account shall be charged to account 7300, Nonoperating Income and Expense.

**§ 32.2004 [Removed]**

**32.2005 Telecommunications plant adjustment**

(a) This account shall include amounts representing the difference between:

(1) the fair market value of the telecommunications plant acquired, plus preliminary expenses incurred in connection with the acquisition; and

(2) the original cost of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the actual original cost is not known, the entries in this account shall be based upon an estimate of such costs.

(b) The amounts recorded in this account with respect to each property acquisition (except land and artworks) shall be disposed of, written off, or provision shall be made for the amortization thereof, as follows: § 32.2005 Telecommunications plant adjustment

(1) Debit amounts may be charged to Account 7300 Nonoperating Income and Expense, in whole or in part, or amortized over a reasonable period without further direction or approval by this Commission. When specifically approved by this Commission, or when the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to Account 6560 Depreciation and Amortization Expense.

(2) Credit amounts shall be disposed of in such manner as this Commission may approve or direct, except for credit amounts referred to in paragraph (b)(3) of this section.

(3) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of telephone plant by a lump-sum charge or credit, as appropriate, to Account 6560 without further approval of this Commission, provided that such amount does not exceed \$100,000 and that the plant was not acquired from an affiliated company

**§ 32.2006 Nonoperating plant.**

This account shall include the company's investment in regulated property which is not includable in the plant accounts as operating telecommunications plant. It shall include the company's investment in telecommunications property held for sale. (Note also Account 1406, Nonregulated Investments.)

**§ 32.2007      Goodwill.**

(a) This account shall include any portion of the plant purchase price that cannot be assigned to specifically identifiable property acquired and such amount should be identified as "goodwill." Such amounts included in this account shall be amortized on a straight line basis over the remaining life of the acquired plant, not to exceed 40 years.

(b) the amounts included in this account shall be maintained to show the nature of each amount.

**§ 32.2110      Land and support assets.**

This account shall be used to record the original cost of land and support assets of the type and character required listed below

(a) This account shall include the original cost of all land held in fee and of easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant (See Account 2410) or externally mounted central office equipment (see Account 2210). It shall also include special assessments upon land for the construction of public improvements.

(b) When land is acquired for which there is not a definite plan for its use in telecommunications service, its costs shall be included in Account 2006, Nonoperating Plant.

(c) When land is acquired in excess of that required for telecommunications purposes, the cost of such excess land shall be included in Account 2006

(d) Installments of assessments for public improvement, including interest, if any, which are deferred without option to the company shall be included in this account only as they become due and payable. Interest on assessments which are not paid when due shall be included in Account 7500, Interest and Related Items.

(e) When land is purchased for immediate use in a construction project, its cost shall be included in Account 2003, Telecommunications Plant Under Construction-Short Term, or Account 2004, Telecommunications Plant Under Construction-Long Term, as appropriate, until such time as the project involved is completed and ready for service

(f) This account shall include the original cost of motor vehicles of the type which are designed and routinely licensed to operate on public streets and highways

(g) This account shall include the original cost of aircraft and any associated equipment and furnishings installed as an integral part of the aircraft

(h) This account shall include the original cost of special purpose vehicles.

(i) This account shall include the original cost of tools and equipment including the original cost of power operated equipment, general purpose tools and other items of work equipment.

(j) This account shall include the original cost of buildings, and the cost of all permanent fixtures, machinery, appurtenances and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title.

(k) This account shall not include the cost of any telephone equipment or wiring apparatus for generating or controlling electricity for operating the telephone system.

(l) This account shall include the original cost of furniture in offices, storerooms, shops, and all other quarters. This account shall also include the cost of objects which possess aesthetic value, are of original or limited edition, and do not have a determinable useful life.

(m) This account shall include the original cost of office equipment in offices, shops and all other quarters.

(n) This account shall include the original cost of computers and peripheral devices

**§ 32.2210      Central office - switching.**

This account shall be used to record the original cost of switching assets of the type and character listed below.

(a) This account shall include the original cost of stored program control analog circuit-switching and associated equipment. This account shall also include the cost of remote analog electronic circuit switches.

(b) This account shall include the original cost of stored program control digital switches and their associated equipment. Included in this account are digital switches which utilize either dedicated or non-dedicated circuits. This account shall also include the cost of remote digital electronic switches.

(c) This account shall include the original cost of non-electronic circuit-switching equipment

(d) This account shall include the original cost of step-by-step and associated circuit-switching equipment.

(e) This account shall include the original cost of crossbar and associated circuit-switching equipment. Also included in this account is the cost of electronic translator system equipment used in switching.

(f) This account shall include the original cost of all other types of non-electronic circuit-switching equipment such as panel systems and their associated circuit-switching equipment.

(g) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the

recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service.

**§ 32.2220      Operator systems.**

(a) This account shall include the original cost of those items of equipment used to assist subscribers in utilizing the network and equipment used in the provision of directory assistance, call intercept, and other operator assisted call completion activities.

(b) This account does not include equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switch-boards and special service switchboards used in conjunction with private line service; such equipment shall be classified to Account 2210, Central Office Switching.

**§ 32.2230      Central office - transmission.**

This account shall be used to record the original cost of radio systems and circuit equipment of the type and character listed below.

a) This account shall include the original cost of ownership of radio transmitters and receivers.

b) This account shall include the original cost of ownership interest in satellites (including land-side spares), other spare parts, material and supplies. It shall include launch insurance and other satellite launch costs.

c) This account shall also include the original cost of earth stations and spare parts, material or supplies therefor.

d) This account shall include the original cost of radio equipment used to provide radio communication channels.

e) This account shall also include the associated carrier and auxiliary equipment and patch bay equipment which in an integral part of the radio equipment

f) This account shall include the original cost of equipment which is used to reduce the number of physical pairs otherwise required to serve a given number of subscribers by utilizing carrier systems, concentration stages or combinations of both. It shall include equipment that provides for simultaneous use of a number of interoffice channels on a single transmission path.

g) This account shall also include equipment which is used for the amplification, modulation, regeneration, circuit patching, balancing or control of signals transmitted over interoffice communications transmission channels.

h) This account shall include equipment which utilizes the message path to carry signaling information or which utilizes separate channels between switching offices to transmit signaling information independent of the subscribers' communication paths or transmission channels.

**§ 32.2310 Information origination/termination.**

This account shall be used to record the original cost of information origination/termination equipment of the type and character listed below.

a) This account shall include the original cost of station apparatus, including teletypewriter equipment, telephone and miscellaneous equipment, small private branch exchanges and radio equipment (excluding mobile), installed for customers' use.

b) The cost of cross-connection boxes, distributing frames or other distribution points which are installed to terminate intrabuilding network cable shall be charged to Account 2410, Cable and Wire Facilities.

c) Operator head sets and transmitter in central offices and at private branch exchanges, and test sets such as those used by wire chiefs, outside plant technicians, and others shall be included in Account 2110, Land and Support Assets or Account 2220 Operator Systems, as appropriate.

d) Station apparatus for company official use shall be included in Account 2110, Land and Support Assets.

e) Periodic asset verifications as prescribed by GAAP shall be taken of all station apparatus in stock that are included in this account.

f) Items of station apparatus in stock for which no further use in the ordinary conduct of the business is contemplated, but which as a precautionary measure, are held for possible future contingencies instead of being discarded shall be excluded from this account and included in Account 1220, Inventories. (R-5)

g) This account shall include all amounts transferred from the former Account 232, Station Connections, inside wiring subclass.

h) This account shall include the original cost, including the cost of installation, of multiple manual private branch exchanges and of dial system private branch exchanges of types designed to accommodate 100 or more lines or which can normally be expanded to 100 or more lines, installed for customers' use. This account shall also include the original cost of other large installations of station equipment.

(1) which do not constitute stations.

(2) which require special or individual treatment because of their complexity, special design, or other distinctive characteristics, and

(3) for which individual or other specialized cost records are appropriate.

i) The cost of intrabuilding network cables including their associated cross-connection boxes, terminals, distributing frames, etc., is chargeable to Account 2410, Cable and Wire Facilities.

j) The cost of outside plant, whether or not on private property, used with intrabuilding network cable shall be charged to the appropriate outside plant accounts.

k) Private branch exchanges for company official use shall be included in Account 2110, Land and Support Assets.

l) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. Inventories of large private branch exchanges equipment are included in Account 1220, Inventories.

m) This account shall include the original cost of coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for use by the public.

n) This account shall also include the original cost of operating spares that are required to provide a continuity of service for public telephones.

o) The original cost of installing public telephone equipment shall not include the labor and minor materials costs of installing the public telephone equipment or premises wiring. These costs as well as the cost of replacing a public telephone shall be charged to Account 6310, Information Origination and Termination Expense. The labor and minor materials costs of removal of public telephones will also be charged to Account 6310.

p) This account shall include the original cost of other Non-CPE terminal equipment not specifically provided for elsewhere and items such as specialized communications equipment provided to meet the needs of the disabled, over-voltage protection equipment, multiplexing equipment to deliver multiple channels to customers, etc.

#### **§ 32.2410      Cable and wire facilities.**

This account shall be used to record the original cost of cable and wire facilities of the type and character listed below.

a) This account shall include the original cost of poles, crossarms, guys and other material used in the construction of pole lines and shall include the cost of towers when not associated with buildings. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes

b) This account shall include the original cost of aerial cable and of drop and block wires served by such cable or aerial wire as well as the cost of other material used in construction of such plant.

c) The cost of permits and privileges for the construction of cable and wire facilities shall be included in this account.

d) This account shall include the original cost of underground cable installed in conduit and of other material used in the construction of such plant.

e) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account.

f) The cost of cables leading from the main distributing frame or equivalent to central office equipment shall be included in the appropriate switching, transmission or other operations asset account.

g) This account shall include the original cost of buried cable as well as the cost of other material used in the construction of such plant. This account shall also include the cost of trenching for and burying cable run in conduit.



h) This account shall include the original cost of submarine cable and other material used in the construction of such plant.

(i) This account includes the original cost of deep sea cable and other material used in the construction of such plant.

j) This account shall include the original cost of cables and wires located on the company's side of the demarcation point or standard network interface inside subscribers' buildings or between buildings on one customer's same premises. Intrabuilding network cables are used to distribute network access facilities to equipment rooms, cross-connection or other distribution points at which connection is made with customer premises wiring.

k) This account does not include the cost of cables or wires which are classifiable as network terminating wire, nor the cables or wires from the demarcation point or standard network interface to subscribers' stations.

l) This account shall include the original cost of bare line wire and other material used in the construction of such plant.

m) This account shall include the original cost of conduit, whether underground, in tunnels or on bridges, which is reusable in place. It shall also include the cost of opening trenches and of any repaving necessary in the construction of conduit plant

n) The cost of pipes or other protective covering for inside wires shall be included in Account 6310, Information Origination/Termination Expense

#### **§ 32.2680      Amortizable tangible assets.**

This account shall be used to record amounts for property acquired under capital leases and the original cost of leasehold improvements of the type of character listed below.

(a) This account shall include all property acquired under a capital lease. A lease qualifies as a capital lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75 % or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25 % of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including

any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

(c) The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

(d) This account shall include the original cost of leasehold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. This account shall also include those improvements which will revert to the lessor.

(e) Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

(f) Amounts contained in this account shall be amortized over the term of the related lease.

#### **§ 32.2690      Intangibles.**

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property, having a life of more than one year and used in connection with the company's telecommunications operations.

(b) The cost of other intangible assets having a life of one year or less shall be charged directly to Account 6560, Depreciation and Amortization Expense. Such intangibles acquired at small cost may also be charged to Account 6560, irrespective of their term of life.

(c) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

(d) When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

(e) Franchise taxes payable annually or more frequently shall be charged to Account 7200.  
Operating Taxes

(f) This account shall not include the cost of plant, material and supplies, or equipment furnished to municipalities or other governmental authorities when given other than as initial consideration for franchises or similar rights. (Note also Account 6720, General and Administrative

Expense)

(g) This account shall not include the original cost of easements, rights of way, and similar rights in land having a term of more than one year. Such amounts shall be recorded in Account 2110, Land and Support Assets, or in the appropriate outside plant account (see Account 2410), or in the appropriate central office account (see Accounts 2210 through 2230).

### **32.3000 Instructions for balance sheet accounts - depreciation and amortization.**

Subsidiary record categories shall be maintained by depreciable category according to GAAP.

Depreciation and Amortization Accounts are to be as indicated:

<u>Account Title</u>	<u>Account</u>
Depreciation and Amortization:	
Accumulated depreciation	3100
Accumulated depreciation-Held for future telecommunications use	3200
Accumulated depreciation-Nonoperating	3300
Accumulated amortization-Tangible	3400
Accumulated amortization-Intangible	3500
Accumulated amortization-Other	3600

#### **§ 32.3100 Accumulated depreciation.**

(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001. Telecommunications Plant in Service.

(b) This account shall be credited with depreciation amounts concurrently charged to Account 6560, Depreciation and Amortization Expense. (Note also Account 3300, Accumulated Depreciation-Nonoperating.)

(c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered

#### **§ 32.3200 Accumulated depreciation - held for future telecommunications use.**

(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2002. Property Held for Future Telecommunications Use.

(b) This account shall be credited with amounts concurrently charged to Account 6560,

Depreciation and Amortization Expense.

**§ 32.3300      Accumulated depreciation - nonoperating.**

(a) This account shall include the accumulated amortization and depreciation associated with the investment contained in Account 2006, Nonoperating Plant

(b) This account shall be credited with amortization and depreciation amounts concurrently charged to Account 7300, Nonoperating Income and Expense

(c) When nonoperating plant not previously used in telecommunications service is disposed of, this account shall be charged with the amount previously credited hereto with respect to such property and the book cost of the property so retired less the amount chargeable to this account and less the value of the salvage recovered or the proceeds from the sale of the property shall be included in Account 7300 Nonoperating Income and Expense. In case the property had been used in telecommunications service previous to its inclusion in Account 2006, Nonoperating Plant, the amount accrued for depreciation thereon after its retirement from telecommunications service shall be charged to this account and credited to Account 3100, Accumulated Depreciation and the accounting for its retirement from Account 2006 shall be in accordance with that applicable to telecommunications plant retired.

**§ 32.3400      Accumulated amortization - tangible.**

This account shall be used to record accumulated amortization of the type and character listed below.

(a) This account shall include the accumulated amortization associated with 2680, Investment and Leasehold Improvements.

(b) This account shall be credited with amounts for the amortization of capital leases and leasehold improvements concurrently charged to Account 6560, Depreciation and Amortization Expense.

(c) When any item carried in Account 2680 is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7100, Other Operating Income and Expense or Account 7300, Nonoperating Income and Expense as appropriate

**§ 32.3500      Accumulated amortization - intangible.**

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2690, Intangibles.

(b) This account shall be credited with amortization amounts concurrently charged to Account

6550, Depreciation and Amortization Expense.

(c) When any item carried in Account 2690 is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7300, Nonoperating Income and Expense.

**§ 32.3600      Accumulated amortization - other.**

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2005, Telecommunications Plant Adjustment.

(b) This account shall be credited with amortization amounts concurrently charged to Account 6560, Depreciation and Amortization Expense. (Note also Account 3300, Accumulated Depreciation-Nonoperating.)

(c) When any item carried in Account 2005 is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited Account 7300, Nonoperating Income and Expense.

**§ 32.4000      Instructions for balance sheet accounts - liabilities and stockholders' equity.**

Liabilities and Stockholders' Equity Accounts to Be Maintained:

<u>Account Title</u>	<u>Account</u>
Current Liabilities:	
Accounts Payable	4010
Notes payable	4020
Advance billing and payments	4030
Customer deposits	4040
Current maturities-long term debt	4050
Current maturities-capital leases	4060
Income taxes-accrued	4070
Other taxes-accrued	4080
Net current deferred operating income taxes	4100
Net current deferred nonoperating income taxes	4110
Other accrued liabilities	4120
Other current liabilities	4130
Long-term debt:	
Funded debt	4210
Premium on long-term debt	4220

Discount on long-term debt	4230
Reacquired debt	4240
Obligations under capital leases	4250
Advances from affiliated companies	4260
Other long-term debt	4270
Other liabilities and deferred credits:	
Other long-term liabilities	4310
Unamortized operating investment tax credits - net	4320
Unamortized nonoperating investment tax credits-net	4330
Net noncurrent deferred operating taxes	4340
Net deferred tax liability adjustments	4341
Net noncurrent deferred nonoperating income taxes	4350
Other deferred credits	4360
Deferred tax regulatory liability	4361
Stockholders' Equity:	
Capital stock	4510
Additional paid-in capital	4520
Treasury stock	4530
Other capital	4540
Retained earnings	4550

**§ 32.4010      Accounts payable.**

(a) This account shall include all amounts currently due to others for recurring trade obligations, and not provided for in other accounts, such as those for traffic settlements, material and supplies, repairs to telecommunications plant, matured rents, and interest payable under monthly settlements on short-term loans, advances, and open accounts. It shall also include amounts of taxes payable that have been withheld from employees' salaries

(b) There shall be included herein accounts payable arising from sharing of revenues.

**§ 32.4020      Notes payable.**

(a) This account shall include the face amount of notes, drafts, and other evidences of indebtedness issued or assumed by the company (except interest coupons) which are payable on demand or not more than one year or less from date of issue.

(b) If any part of an obligation, otherwise includable in this account matures more than one year from date of issue, it shall be included in Account 4210, Funded Debt, 4260, Advances from Affiliated Companies, or other appropriate account.

(c) The records supporting the entries to this account shall be kept so that the company can furnish complete details as to each note, when it is issued, the consideration received, and when it is payable.

**§ 32.4030      Advance billing and payments.**

This account shall include the amount of advance billing creditable to revenue accounts in future months; also advance payments made by prospective customers prior to the establishment of service. Amounts included in this account shall be credited to the appropriate revenue accounts in the months in which the service is rendered or cleared from this account as refunds are made.

**§ 32.4040      Customers' deposits.**

(a) This account shall include the amount of cash deposited with the company by customers as security for the payment for telecommunications service.

(b) Taxes paid in advance of the period in which they are chargeable to income shall be included in the prepaid taxes Account 1300, Prepaid Taxes, or 1410, Other Noncurrent Assets, as appropriate.

**§ 32.4050      Current maturities - long-term debt.**

This account shall include the amount (including any obligations for premiums) of long-term debt matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

**§ 32.4060      Current maturities - capital leases.**

This account shall include the current portion of obligations applicable to property obtained under capital leases.

**§ 32.4070      Income taxes - accrued.**

(a) This account shall be credited or charged and the following accounts shall be charged or credited with the offsetting amount of current year income taxes (Federal, state and local) accrued during the period or adjustments to prior accruals:

7200 Operating Taxes  
7400 Nonoperating Taxes  
7600 Extraordinary Items

(b) If significant, current year income taxes paid in advance shall be reclassified to Account 1300, Prepaid Taxes.

**§ 32.4080 Other taxes - accrued.**

(a) This account shall be credited or charged and Account 7200, Operating Taxes, or 7400, Nonoperating Taxes, or for payroll related costs, the appropriate expense accounts shall be charged or credited for all taxes, other than Federal, State and local income taxes, accrued or adjusted for previous accruals during the period. Among the taxes includable in this account are property, gross receipts, franchise, capital stock, social security and unemployment taxes.

(b) Taxes paid in advance of the period in which they are chargeable to income shall be included in the prepaid taxes Account 1300, Prepaid Taxes or 1410, Other Noncurrent Assets, as appropriate.

**§ 32.4100 Net current deferred operating income taxes.**

(a) This account shall include the balance of income tax expense related to current items from regulated operations which have been deferred to later periods as a result of the normalized method of accounting for tax differentials authorized by this Commission and not provided for elsewhere.

(b) As regulated assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 4340, Net Noncurrent Deferred Operating Income Taxes, to this account.

(c) This account shall be debited or credited with the amount being debited or credited to Account 7200, Operating Taxes, in accordance with that account's description and § 32.22 of Subpart B.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary difference.

**§ 32.4110 Net current deferred nonoperating income taxes.**

(a) This account shall include the balance of income tax expense resulting from comprehensive interperiod tax allocation which has been deferred to later periods.



(b) As other assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes, to this account.

(c) This account shall be debited or credited with the amount being credited or debited to Account 7400, Nonoperating Taxes, in accordance with that account's description and § 32.22 of Subpart B.

(d) This account shall also include the balance of the income taxes (Federal, state and local) related to current extraordinary items which have been deferred to later periods resulting from comprehensive interperiod tax allocation.

(e) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes, to this account.

(f) This account shall be debited or credited with the amount being credited and debited to Account 7600, Extraordinary Items.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary difference.

**§ 32.4120      Other accrued liabilities.**

(a) This account shall include the amount of wages, compensated absences, interest on indebtedness of the company, dividends on capital stock and rents accrued to the date for which the balance sheet is made, but not payable until after that date

(b) This account shall be maintained so as to show separately the amount and nature of the items accrued to the date of the balance sheet.

(c) Matured rents, dividends and interest shall be included in Account 4010, Accounts Payable.

(d) Interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in Account 4010.

**§ 32.4130      Other current liabilities.**

This account shall include liabilities of current character which are not includable in Accounts 4010 through 4120.

**§ 32.4210      Funded debt.**

(a) This account shall include the total face amount of unmatured debt, maturing more than one year from date of issue, issued by the company and not retired, and the total face amount of similar unmatured debt of other companies, the payment of which has been assumed by the company, including funded debt the maturity of which has been extended by specific agreement.

(b) This account shall include such items as mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants and other similar obligations maturing more than one year from date of issue.

(c) In the case of debt securities with detachable warrants this account shall include only the face amount of the security at the time of issuance. The value of detachable warrants shall be charged to either Account 4220, Premium on Long-Term Debt, or Account 4230, Discount on Long-Term Debt, as appropriate, and credited to Account 4520, Additional Paid-in Capital, in the case of capital stock warrants or retained in this account as a separately identifiable amount in the case of detachable long-term debt warrants. No similar allocation shall be made for the issuance of either convertible debt or debt securities with non-detachable warrants

(d) Securities maturing in one year or less, including securities maturing serially, shall be included in Account 4050, Current Maturities -Long-Term Debt.

(e) Investment advances, including those represented by notes, shall be included in Account 4270, Other Long-Term Debt.

**§ 32.4220      Premium on long-term debt.**

(a) This account shall include the premium associated with all classes of long-term debt. Premium, as applied to securities issued or assumed by the company, means the excess of the current money value received at their sale over the sum of their book or face amount and interest or dividends accrued at the date of the sale

(b) Amounts included in this account shall be amortized monthly by the interest method and credited to Account 7510, Interest on Funded Debt. (Note also § 32.4210(c) of this subpart.)

**§ 32.4230      Discount on long-term debt.**

(a) This account shall include the discount associated with all classes of long-term debt. Discount, as applied to securities issued or assumed by the company, means the excess of the book or face amount of the securities plus interest or dividends accrued at the date of the sale over the current money value of the consideration received at their sale.

(b) Amounts included in this account shall be amortized monthly by the interest method and charged to Account 7500, Interest and Related Items (Note also § 32.4210 (c) of this subpart.)

**§ 32.4240      Reacquired debt.**

This account shall include the face amount of debt reacquired prior to maturity that has not been retired. Gain or loss shall be recognized at the time of reacquisition by credits or charges to Account 7300, Nonoperating Income and Expense, except that material gains or losses shall be treated as extraordinary. (See Account 7600, Extraordinary Items.)

**§ 32.4250      Obligations under capital leases.**

(a) This account shall include the noncurrent portion of obligations applicable to property obtained under capital leases.

(b) Amounts subject to current settlement shall be included in Account 4060, Current Maturities-Capital Leases.

**§ 32.4260      Advances from affiliated companies.**

(a) This account shall include the amount of advances from affiliated companies.

(b) Amounts due affiliated companies which are subject to current settlement shall be included in Account 4010 or 4020, as appropriate.

**§ 32.4270      Other long-term debt.**

This account shall include long-term debt not provided for elsewhere.

**§ 32.4310      Other long-term liabilities.**

This account shall include amounts accrued to provide for such items as unfunded pensions (if actuarially determined), death benefits, deferred compensation costs and other long-term liabilities not provided for elsewhere.

**§ 32.4320      Unamortized operating investment tax credits - net.**

(a) This account shall be credited and Account 7200, Operating Taxes, should be debited with investment tax credits generated from qualified expenditures related to regulated operations which the

company defers rather than recognizes currently in income

(b) This account shall be debited and Account 7200 credited with a proportionate amount determined in relation to the period of time used for computing book depreciation on the property to which the tax credit relates.

**§ 32.4330      Unamortized nonoperating investment tax credits - net.**

(a) This account shall be credited and Account 7400, Nonoperating Taxes, shall be debited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be debited and Account 7400 credited with a proportionate amount determined in relation to the useful book life of the property to which the tax credit relates.

**§ 32.4340      Net noncurrent deferred operating income taxes.**

(a) This account shall include the deferred tax effects of all unreversed temporary differences as defined under SFAS No. 109. (i.e., SFAS No. 109 requires that unreversed temporary differences should be stated at the rate the tax will be paid).

(b) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary difference.

(c) This account shall be exempt from the vintage year detail record requirements of Section 32.22(e)(2).

**§ 32.4350      Net noncurrent deferred nonoperating income taxes.**

(a) This account shall include the balance of income tax expense (Federal, state and local) that has been deferred to later periods as a result of comprehensive interperiod allocation related to nonoperating temporary differences.

(b) This account shall be credited or debited, as appropriate, and Account 7400, Nonoperating Taxes, shall reflect the offset for the tax effect of revenues from other operations and extraordinary items and nonoperating expense which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of nonoperating expenses and extraordinary items and nonoperating income which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As other assets or liabilities which generated the prepaid income tax or deferred income tax

are reclassified from long-term or non-current status to current status, the appropriate deferred income tax shall be reclassified from this account to account 4110, Net Current Deferred Nonoperating Income Taxes.

(d) This account shall also include the balance of the income tax effect (Federal, State and local) related to noncurrent extraordinary items which have been included in the determination of taxable income in a period different from when it is included in the determination of book income, that is, more than one year.

(e) This account shall be charged or credited with the contra amount recorded to Account 7600, Extraordinary Items, in accordance with paragraph § 32.22 of Subpart B.

(f) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from this account to Account 4110, Net Current Deferred Nonoperating Income Taxes.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary difference.

#### **§ 32.4360 Other deferred credits.**

This account shall include the amount of all deferred credits not provided for elsewhere, such as amounts awaiting adjustment between accounts; and revenue, expense, and income items in suspense.

#### **§ 32.4361 Deferred Tax Regulatory Liability.**

(a) This account shall include amounts of probable future net reductions in revenues future revenue reductions in excess of future revenue increases attributable to:

(1) future net decreases to taxes payable related to the tax effects of temporary differences accounted for under the flow-through method (future decreases in excess of future increases).

(2) the impact of tax rate decreases in excess of tax rate increases on net deferred tax liabilities (deferred tax liabilities in excess of deferred tax assets) for those temporary differences underlying its existing balance.

(3) the impact of tax rate increases in excess of tax rate decreases on net deferred tax assets (deferred tax assets in excess of deferred tax liabilities) for those temporary differences underlying its existing balance

As net reductions occur in revenue, amounts recorded in this account shall be reduced with a debit entry and a credit entry to Account . 4340, Net Noncurrent Deferred Operating Income Taxes.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduces the account to a net debit balance, such balance shall be reclassified to Account 1437.

**§ 32.4510      Capital stock.**

(a) This account shall include the par value, stated amount, or in the case of no-par stock, the amount received for capital stock issued and outstanding.

(b) This account shall be charged with the book amount of any stock retired.

**§ 32.4520      Additional paid-in capital.**

(a) This account shall include the difference between the net proceeds (including discount, premium and stock issuance expense) received from the issuance of capital stock and the amount includable in Account 4510, Capital Stock unless such difference results in a debit balance for that class of stock, in which case the amount shall be charged to Account 4550, Retained Earnings.

(b) This account shall also include gains arising from the retirement and cancellation of capital stock. Losses from retirement and cancellation of capital stock shall be charged to this account to the extent that there exist credits in this account for the same class of stock; otherwise to Account 4550.

**§ 32.4530      Treasury stock.**

This account shall include the cost of the company's own capital stock which has been issued and subsequently reacquired but not retired or resold.

**§ 32.4540      Other capital.**

This account shall include amounts which are credits arising from the donation by stockholders of the company's capital stock, capital recorded upon the reorganization or recapitalization of the company and temporary declines in the value of marketable securities held for investment purposes. (See also Account 1401 Investment in Affiliated Companies.)

**§ 32.4550      Retained earnings.**

This account shall include the undistributed balance of retained earnings derived from the operations of the company and from all other transactions not includable in the other accounts appropriate for inclusion of stockholders' equity.

## ***Subpart D - Instructions for Revenue Accounts***

### **§ 32.4999      General.**

(a) Purpose of revenue accounts. The revenue accounts are intended to include the actual cash inflows (or equivalents) that have or will occur as a result of the company's ongoing major or central operations during the period. They will include the revenues which arise from furnishing regulated telecommunications services to others, from directory advertising, rentals of telecommunications assets and from providing other services which are directly associated with the provision of regulated telecommunications services.

(b) Deductions from revenue. Corrections of overcharges, authorized refunds of over collections previously credited to revenue, authorized refunds and adjustments on account of failure in service, and other corrections shall be charged to the revenue account previously credited with the amounts involved.

(c) Commissions. Commissions paid to others or employees in place of compensation or salaries for services rendered, such as public telephone commissions, shall be charged to Account 6620 Customer Operations Services, and not to the revenue accounts.

(d) Revenue recognition. Credits shall be made to the appropriate revenue accounts when such revenue is actually earned. When the billing cycle encompasses more than one accounting period, adjustments are necessary to properly recognize the revenue applicable to the current accounting period under report. Revenues recorded under the terms of two-tier contracts or other variable payment plans should be deferred, if necessary, and recognized ratably with expenses over the term of related contract. Any amounts deferred shall be credited to Account 4360, Other Deferred Credits.

(e) Contractual arrangements. Charges and credits resulting from activities associated with the provision of regulated telecommunications services shall be recorded in a manner consistent with the nature of the underlying contractual arrangements. The charges and credits resulting from expense sharing or apportionment arrangements associated with the provision of regulated telecommunications services shall be recorded in the detailed regulated accounts. Charges and credits resulting from revenue settlement agreements or other revenue pooling arrangements associated with the provision of regulated telecommunications services shall be included in the appropriate revenue accounts. Those charges and credits resulting from contractual revenue pooling and/or sharing agreement shall be recorded in each prescribed revenue account. Settlement amounts shall be recorded in Account 5000, Basic Local Service Revenue, 5100, Long Distance Network Services Revenues, or 5200, Miscellaneous Revenue, as appropriate.

(f) Revenue accounts to be maintained.

<u>Account Title</u>	<u>Account</u>
Basic local service revenue	5000
Network access revenue	5080
End user revenue	5081
Switched access revenue	5082
Special access revenue	5083



State access revenue	5084
Long distance message revenue	5100
Miscellaneous revenue	5200
Nonregulated operating revenue	5280
Uncollectible revenue	5300

**§ 32.5000 Basic local service revenue.**

This account number shall be for revenues of the type and character listed below.

(a) This account shall include revenue derived from the provision of basic area message services such as flat rate services and measured services. Included is revenue derived from non-optional extended area services. Also included is revenue derived from the billed or guaranteed portion of semi-public services

(b) Revenue derived from charges for nonpublished numbers or additional and boldfaced listings in the alphabetical section of the company's telephone directories shall be included in Account 5200, Miscellaneous Revenue.

(c) This account shall include total revenue derived from the provision of optional extended area service.

(d) This account shall include message revenue derived from cellular mobile telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area.

(e) This account shall include message revenue derived from general radio telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area, as well as revenue from mobile radio paging, mobile dispatching, and signaling services.

(f) Revenue from private mobile telephone services which do not have access to the public switched network shall be included in Account 5200, Miscellaneous Revenues.

(g) This account shall include revenue derived from local services that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g., point-to-point communications). It includes revenue from subvoice grade, voice grade, audio and video program grade, digital transmission and local private network switching as well as the revenue from administrative and operational support services associated with private network services and facilities, e.g., charges for company-directed testing, expedited installation, and service restoration priority.

(h) This account shall include revenue derived from tariffed information origination/termination plant. Included is revenue derived from the provision under leasing arrangements of tariffed customer premises equipment (CPE), terminal equipment, station apparatus and large private branch exchanges as well as tariffed nonrecurring charges related solely to station apparatus. Also included are all tariffed charges for customer premises activities and facilities not